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**PASADENA AREA COMMUNITY  
COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2002**

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2002

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Pasadena Area Community College District  
Pasadena, California

We have audited the accompanying financial statements of the business-type activities of the Pasadena Area Community College District, as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Pasadena Area Community College District, as of June 30, 2002, and the respective changes in financial positions and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2002, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 35 for the year ended June 30, 2002. This results in a change to the format and content of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Vaurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
October 4, 2002

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2002

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### **NEW ACCOUNTING STANDARD**

In June 1999, the Governmental Accounting Standards Board (GASB) issued statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*," which established a new reporting format for annual financial statements of governmental entities. In November 1999, GASB issued Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*," which applies these new reporting standards to public colleges and universities such as the Pasadena Area Community College District (the District). The following discussion and analysis provides an overview of the District's financial activity. Since this is a transition year for the new format, only one year of information is presented in the audited financial statements. This section of the annual report also provides information on a one-year basis. Future annual reports will present this information in a comparative format. Responsibility for the completeness and fairness of this information rests with the District.

The new accounting standard resulted in an adjustment to the beginning net asset balance of the District in the amount of \$182,781,994. This adjustment was necessary to bring the District's fund financial statements to a full accrual basis with the capitalization for the first time of the District's capital assets and long-term liabilities. The components of this adjustment are included in the notes to the financial statements.

### **USING THIS ANNUAL REPORT**

As required by the newly adopted accounting principles, the annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the District. This statement for the first time combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

### **FINANCIAL HIGHLIGHTS**

- The District's primary funding source is "Program-Based Funding" received from the State of California through the State Chancellor's Office. Program-Based Funding is comprised of State apportionment, local property taxes, and student enrollment fees, which are currently \$11 per unit. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2001-02 fiscal year, the District's actual FTES were comprised of 21,299 credit FTES and 2,067 non-credit FTES for a total of 23,466 FTES. The State funded these FTES based upon 18,181.37 credit and 2,265 non-credit FTES. These FTES are generated primarily at the District's City College campus, as well as various satellite locations.
- The District ended the year with an Unrestricted General Fund balance of \$9,734,787; an increase of \$12,136,863 over the prior year. The State Chancellor's Office recommends reserve levels of five percent of total General Fund expenditures be set aside for economic uncertainties. The District met this requirement. Of the \$9.7 million ending balance, the District has designated approximately \$1.7 million for expenditures within the Partnership for Excellence Program and approximately \$3.0 million for pending salary negotiations.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2002**

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- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. These costs increased over the 2000-01 fiscal year by approximately \$6.3 million due to negotiated increases in the compensation packages and also due to increases in benefit costs for retirement programs; medical, dental, and workers' compensation. In addition to the costs for current employees' insurance coverage, the District provides insurance benefits to retirees meeting plan eligibility requirements.
- The District has begun several construction and modernization projects throughout the District. These projects will be funded through the recently approved general obligation bond program. The first issuance of the bonds will take place during the 2002-03 fiscal year. The District has also qualified for various maintenance and construction projects funded through the State Chancellor's Office.
- The District provides student financial aid to qualifying students of the District in the amount of approximately \$12 million. This represents an increase of \$2.5 million over the 2000-01 fiscal year. This aid is provided through grants and loans from the Federal government, State Chancellor's Office, and local funding.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2002

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Condensed financial information is as follows: (in thousands)

### NET ASSETS As of June 30, 2002

<b>ASSETS</b>	
Current Assets	
Cash, investments, and short term receivables	\$ 50,737
Inventory and other assets	1,455
Total Current Assets	<u>52,192</u>
Non-Current Assets	
Capital assets, net of depreciation	132,297
Total Assets	<u>184,489</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued liabilities	9,785
Deferred revenue	5,832
Amounts held in trust	8,702
Long-term liabilities - current portion	1,245
Total Current Liabilities	<u>25,564</u>
Non-Current Liabilities	
Long-term liabilities	9,270
Total Liabilities	<u>34,834</u>
<b>NET ASSETS</b>	
Invested in capital assets	124,529
Restricted for expendable purposes	5,162
Unrestricted	19,971
Total Assets	<u>\$ 149,662</u>

This schedule has been prepared from the District's Statement of Net Assets (page 10), which is presented on an accrual basis of accounting whereby capital assets are capitalized and depreciated.

Cash and short-term investments consist primarily of funds held in the Los Angeles County Treasury. The changes in the cash position are explained in the Statement of Cash Flows (page 12).

Many of the unrestricted net assets have been designated by the Board or by contracts for such purposes as Federal and State grants, outstanding commitments on contracts, debt service and bookstore, and general reserves for the ongoing financial health of the District.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2002

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### Operating Results for the Year Ended June 30, 2002

OPERATING REVENUES	
Tuition and fees	\$ 16,492
Grants and contracts	21,702
Auxiliary sales and charges	6,699
Total Operating Revenues	<u>44,893</u>
OPERATING EXPENSES	
Salaries and benefits	82,651
Supplies and maintenance	33,888
Depreciation	7,218
Total Operating Expenses	<u>123,757</u>
NET LOSS ON OPERATIONS	(78,864)
NON-OPERATING REVENUES AND (EXPENSES)	
State apportionments	47,781
Property taxes	27,715
State revenue	3,460
Interest income	937
Interest expense	(463)
Other non-operating revenues and transfers	1,677
Total Non-Operating Revenues	<u>81,107</u>
OTHER REVENUES	
State revenues, capital	1,472
Local revenues, capital	293
Total Other Revenues	<u>1,765</u>
NET INCREASE IN NET ASSETS	<u>\$ 4,008</u>

This schedule has been prepared from the Statement of Revenues, Expenses and Changes in Net Assets presented on page 11.

The operating revenue for the District is specifically defined as revenues from users of the colleges' facilities and programs. Excluded from the operating revenues are the components of the primary source of District funding - the State apportionment process. These components include the State apportionment and local property taxes. As these sources of revenue are from the general population of the State of California, and not from the direct users of the educational services, they are considered to be non-operating. As a result, the operating loss of \$78.8 million is balanced by the other funding sources leading to an overall increase in the District's net assets of \$4 million.

Auxiliary revenue consists of bookstore net revenues. The bookstore is maintained to provide books, supplies, and other items to the students and faculty of the college. The operations are self-supporting through product sales.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2002**

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Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

The interest income is primarily the result of cash held at the Los Angeles County Treasurer. The interest expense relates to interest payments on the Certificates of Participation, lease commitments, and a note payable described in Note 9 of the financial statements.

For the first year, the District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 5.

### **Statement of Cash Flows for the Year Ended June 30, 2002**

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

#### **CASH PROVIDED BY (USED IN)**

Operating activities	\$ (78,168)
Noncapital financing activities	80,511
Capital financing activities	(5,852)
Investing activities	3,360
Net Increase in Cash and Cash Equivalents	<u>\$ (149)</u>

The primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff, as well as District administrators.

While State apportionment and property taxes are the primary source of non-capital related revenue, the new GASB accounting standards require that this source of revenue is shown as non-operating revenue as it comes from the general resources of the State and not from the primary users of the colleges' programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

### ***ECONOMIC FACTORS AFFECTING THE FUTURE OF PASADENA AREA COMMUNITY COLLEGE DISTRICT***

The economic position of Pasadena Area Community College is closely tied to the State of California as State apportionments and property taxes allocated to the District represent approximately 80 percent of the unrestricted resources of the District. The funding formula for the 2002-03 fiscal year has not been finalized; however, the Governor's fiscal year 2002-03 budget for community colleges contains a two percent cost of living increase. With the recent statewide budget crisis for California, there is a strong possibility that these amounts will not be funded and, in fact, reductions in the funding formula are proposed. Any reductions in the State funding formula will have a serious impact on the financial condition and ongoing operations of the District. The District continues to increase in student enrollment; however, there is uncertainty as to the final level of funding for this growth to the District. The slow-down in the State economy plays a major factor in the State appropriations for higher education.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2002**

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Increased costs in the areas of Public Employees Retirement System (PERS) retirement contribution payments on behalf of employees is anticipated to increase dramatically in the coming year due to a decrease in the PERS investment portfolio earnings. Medical benefit insurance costs are continuing the upward trend in costs. Management is closely monitoring all of these factors in an effort to control the ultimate impact on the District's financial health.

There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets) of the District.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2002

### ASSETS

#### Current Assets:

Cash and cash equivalents	\$ 3,895,899
Short-term investments	39,590,307
Accounts receivable, net	6,486,415
Student loans receivable, net	764,559
Stores inventory	1,232,621
Other current assets	153,356
Prepaid expenses	68,881
<b>Total Current Assets</b>	<b>52,192,038</b>

#### Noncurrent Assets:

Capital assets, net of depreciation	132,296,709
<b>Total Noncurrent Assets</b>	<b>132,296,709</b>
<b>TOTAL ASSETS</b>	<b>184,488,747</b>

### LIABILITIES

#### Current Liabilities:

Accounts payable	9,783,202
Deferred revenue	5,832,132
Amounts held in trust on behalf of others	8,701,868
Compensated absences payable - current portion	521,719
Notes payable - current portion	564,250
Long-term liabilities - current portion	159,275
<b>Total Current Liabilities</b>	<b>25,562,446</b>

#### Non-current Liabilities:

Compensated absences payable - noncurrent portion	1,896,765
Notes payable - noncurrent portion	7,212,000
Long-term liabilities - noncurrent portion	161,443
<b>Total Non-current Liabilities</b>	<b>9,270,208</b>
<b>TOTAL LIABILITIES</b>	<b>34,832,654</b>

### NET ASSETS

Invested in capital assets, net of related debt	124,522,627
Restricted for:	
Capital projects	3,989,223
Debt service	1,172,979
Unrestricted	19,971,264
<b>TOTAL NET ASSETS</b>	<b>\$ 149,656,093</b>

The accompanying notes are an integral part of these financial statements.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2002

<b>OPERATING REVENUES</b>	
Tuition and Fees	\$ 18,635,422
Less: Scholarship discount and allowance	(2,143,898)
Net tuition and fees	16,491,524
Grants and Contracts, noncapital:	
Federal	13,564,726
State	8,137,622
Auxiliary Enterprise Sales and Charges:	
Bookstore	6,698,830
<b>TOTAL OPERATING REVENUES</b>	<b>44,892,702</b>
<b>OPERATING EXPENSES</b>	
Salaries	69,690,447
Employee benefits	12,961,211
Supplies, materials, and other operating expenses and services	33,039,504
Equipment, maintenance, and repairs	847,935
Depreciation	7,218,251
<b>TOTAL OPERATING EXPENSES</b>	<b>123,757,348</b>
<b>OPERATING LOSS</b>	<b>(78,864,646)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	47,780,934
Local property taxes	27,715,452
State taxes and other revenues	3,459,866
Investment income, net	854,814
Interest expense on capital related debt	(463,322)
Interest income on capital asset-related debt, net	82,265
Transfer to agency fund	(386,000)
Other non-operating	2,063,474
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>81,107,483</b>
<b>INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	<b>2,242,837</b>
State revenues, capital	1,472,423
Local revenues, capital	292,707
<b>TOTAL OTHER REVENUES AND EXPENSES</b>	<b>1,765,130</b>
<b>NET INCREASE IN NET ASSETS</b>	<b>4,007,967</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>145,648,126</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 149,656,093</b>

The accompanying notes are an integral part of these financial statements.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS – DIRECT METHOD FOR THE YEAR ENDED JUNE 30, 2002

### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 17,443,208
Federal grants and contracts	12,813,587
State grants and contracts	8,906,224
Payments to suppliers	(26,230,956)
Payments to/(on behalf of) employees	(80,767,538)
Payments for scholarships and grants	(12,734,883)
Auxiliary enterprise sales and charges:	
Bookstore	2,402,057
<b>Net Cash Used by Operating Activities</b>	<b>(78,168,301)</b>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	47,757,549
Property taxes	27,715,452
State taxes and other apportionments	3,685,004
Other non-operating	2,063,474
Student organization and other agency transactions	(709,892)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>80,511,587</b>

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(6,567,186)
State revenue, capital projects	1,472,423
Local revenue, capital projects	292,707
Principal paid on capital debt	(669,368)
Interest paid on capital debt	(463,322)
Interest income on capital asset-related debt, net	82,265
<b>Net Cash Used by Capital Financing Activities</b>	<b>(5,852,481)</b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	4,631,952
Purchase of investments	(2,126,580)
Interest received from investments	854,814
<b>Net Cash Provided by Investing Activities</b>	<b>3,360,186</b>

<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(149,009)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,044,908</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,895,899</b>

The accompanying notes are an integral part of these financial statements.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS – DIRECT METHOD, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2002**

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**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)  
TO NET CASH BY OPERATING ACTIVITIES**

Operating loss	\$ (78,864,646)
Adjustments to reconcile net operating loss to net cash used by operating activities	
Depreciation expense	7,218,251
Changes in assets and liabilities:	
Increase in accounts receivables	989,617
Decrease in inventories	(308,753)
Decrease in prepaid expense	(1,229,362)
Decrease in other assets	(186,011)
Decrease in accounts payable	2,649,847
Decrease in deferred revenue	264,624
Increase in amounts held in trust on behalf of others	(8,701,868)
<b>Net Cash Used By Operating Activities</b>	<b><u>\$ (78,168,301)</u></b>

The accompanying notes are an integral part of these financial statements.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Financial Reporting Entity

The Pasadena Area Community College District was organized in 1967 under the laws of the State of California. The District operates under a locally elected seven-member Board of Trustees form of government and provides higher education in the County of Los Angeles. The District currently operates one college campus located in the city of Pasadena.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Pasadena Area Community College District, this includes general operations, food services, bookstores, and student related activities of the District.

#### B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt, or the levying of their taxes. The District has no component units.

**Joint Powers Agencies and Public Entity Risk Pools** - The District is associated with two joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. Summarized financial information is presented in Note 14 to the financial statements. The JPAs are the Statewide Association of Community Colleges and the School's Alliance for Worker's Compensation Excess II.

#### C. Basis of Presentation

The financial statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including statements No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments* and No. 35, *Basic Financial Statements and Management's Discussions and Analysis of Public Colleges and Universities*, issued in June and November 1999, respectively. The District now follows the "business-type" activities reporting requirements of the statements that provides a comprehensive "one-look" at the District's financial activities.

#### D. Basis of Accounting - Measurement Focus

**Entity-Wide Financial Statements** - The entity-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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The entity-wide statement of activities presents a comparison between operating revenues and operating expenses of the District. Revenues and expenses that are not classified as operating revenues or expenses are presented as non-operating revenues and expenses. Non-operating revenues and expenses include State apportionments, property taxes, interest and investment income, or expenses as these sources and uses of funds are derived from the general population and not from operations.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Revenues - Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** - Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Certain Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. Allocations of costs, such as depreciation and amortization, are recognized in the entity-wide financial statements although they are not allocated in individual funds within the District's financial records.

### **E. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **F. Investments**

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Investments for which there are no quoted market prices are not material.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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### G. Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

### H. Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services.

### I. Inventory

Inventory consists primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

### J. Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$20,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

When purchased, such assets are recorded as expenditures in the District's governmental funds and capitalized within the entity-wide financial statements. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated cost based on replacement cost or appraised value (assessed value at July 1, 2001). Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years.

### K. Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees who have accumulated the leave are paid. The non-current portion of the liability is monitored but not recorded within the governmental funds.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### **L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

### **M. Net Assets**

GASB Statements No. 34 and No. 35 reports equity as "Net Assets" rather than "Fund Balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The unrestricted net asset balance of \$28,018,193 at June 30, 2002, includes reserves for Federal and State programs in the amount of \$2,819,932, self-insurance reserves in the amount of \$9,286,801, bookstore in the amount of \$2,929,779, and general reserves of \$6,974,855.

### **N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the District. These revenues are student tuition and fees, Federal, State, and local grants, and sales from the college bookstores and cafeterias. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the District.

### **O. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The interfund transfers have been eliminated through consolidation of the entity-wide financial statements.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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### P. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Q. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### R. Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133 "*Audits of States, Local Governments and Non-Profit Organizations*," and the related *Compliance Supplement*. During the year ended June 30, 2002, the District distributed \$99,938 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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### NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2002, the District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and analysis – for Public Colleges and Universities," GASB Statement No. 36, "Receipt Reporting for Certain Shared Nonexchange Revenues," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures." As a result, the financial statements for the first time include 1) a Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations, 2) financial statements prepared using full accrual accounting for all of the District's activities, and 3) a change in the fund financial statements to focus entity-wide financial statements. These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

In connection with the implementation of GASB Statements No. 34 and 35, the following adjustments have been made to reflect the cumulative effect of this accounting change:

Capitalization of nondepreciable assets	\$ 11,219,152
Capitalization of depreciable assets, net of accumulated depreciation	120,147,537
Recording of long-term obligations	(10,264,972)
Reclassification of agency funds	(7,714,578)
Total Adjustments	113,387,139
Fund balances reported on June 30, 2001	32,260,987
Net Asset Balance July 1, 2001	<u>\$ 145,648,126</u>

### NOTE 3 - CASH AND INVESTMENTS

#### Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer. In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000.

The District is also authorized to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2002**

In accordance with GASB Statement No. 3, deposits and investments are classified into three categories of custodial credit risk as follows:

Category 1: Deposits or investments that are either insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2: Deposits or investments with securities held by the pledging financial institution, or trust department in the District's name.

Category 3: Deposits or investments that are not collateralized.

Not Categorized: Investments in mutual funds, money market funds as they are not evidenced by securities that exist in physical or book entry form.

	Bank Balance - Category *			Fair Market Value	Carrying Amount
	1	2	3		
CASH					
Categorized					
Deposits					
Cash on hand and in banks	\$ 342,177	\$ -	\$ 3,228,835	\$ 3,571,012	\$ 3,788,399
Cash in revolving fund	59,663	-	-	59,663	107,500
Total Deposits	<u>\$ 401,840</u>	<u>\$ -</u>	<u>\$ 3,228,835</u>	<u>\$ 3,630,675</u>	<u>\$ 3,895,899</u>
INVESTMENTS					
Categorized					
Savings accounts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,891,373</u>	<u>\$ 7,891,373</u>	<u>\$ 7,891,373</u>
Uncategorized					
U.S. Bank - Treasury Funds				1,171,493	1,171,493
Deposits in county treasury				30,603,306	30,527,441
Total Uncategorized				<u>31,774,799</u>	<u>31,698,934</u>
Total Investments				<u>\$ 39,666,172</u>	<u>\$ 39,590,307</u>

Deposits with the county treasury are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with county treasury are valued using the amortized cost method (which approximates fair value).

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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### NOTE 4 - RECEIVABLES

Receivables at June 30, 2002, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

Federal Government	
Categorical aid	\$ 1,444,800
State Government	
Categorical aid	401,778
Apportionment	606,162
Other state sources	305,703
Local Sources	
Interest	210,027
Other local	3,517,945
Total	<u>\$ 6,486,415</u>
Student loan receivables, net	<u>\$ 764,559</u>



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance June 30, 2001	Additions and Adjustments	Deductions	Balance June 30, 2002
Capital Assets Not Being Depreciated:				
Land and improvements	\$ 10,396,408	\$ -	\$ -	\$ 10,396,408
Construction in progress	822,744	1,820,086	-	2,642,830
Total Capital Assets Not Being Depreciated	11,219,152	1,820,086	-	13,039,238
Depreciable Capital Assets:				
Buildings and improvements	120,775,290	2,310,054	-	123,085,344
Site improvements	10,090,396	313,742	-	10,404,138
Equipment	42,888,286	3,378,768	-	46,267,054
Total Depreciable Assets	173,753,972	6,002,564	-	179,756,536
Less Accumulated Depreciation:				
Buildings and improvements	29,573,569	2,249,165	-	31,822,734
Site improvements	1,442,333	144,233	-	1,586,566
Equipment	22,264,912	4,824,853	-	27,089,765
Total Accumulated Depreciation	53,280,814	7,218,251	-	60,499,065
Net Capital Assets	\$131,692,310	\$ 604,399	\$ -	\$ 132,296,709

Depreciation expense for the year was \$7,218,251.

### NOTE 6 - INTERFUND TRANSACTIONS

#### Operating Transfers

Operating transfers between District funds are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

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### *NOTE 7 - ACCOUNTS PAYABLE*

Accounts payable at June 30, 2002, consisted of the following:

Accrued payroll	\$ 6,419,484
Apportionment	582,777
Other	<u>2,780,941</u>
Total	<u>\$ 9,783,202</u>

### *NOTE 8 - DEFERRED REVENUE*

Deferred revenue at June 30, 2002, consists of the following:

State categorical aid	\$ 1,299,588
Enrollment fees	3,115,244
Local	<u>1,417,300</u>
Total	<u>\$ 5,832,132</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

### NOTE 9 - LONG-TERM DEBT

#### A. Long-Term Debt Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
Certificates of participation	\$ 6,565,000	\$ -	\$ 405,000	\$ 6,160,000	\$ 425,000
Note payable	1,745,457	-	129,207	1,616,250	139,250
Total Bonds and Notes Payable	8,310,457	-	534,207	7,776,250	564,250
Other Liabilities					
Compensated absences	1,707,030	711,454	-	2,418,484	521,719
Capital leases	247,485	208,394	135,161	320,718	159,275
Total Other Liabilities	1,954,515	919,848	135,161	2,739,202	680,994
Total Long-term Liabilities	\$10,264,972	\$ 919,848	\$ 669,368	\$10,515,452	\$ 1,245,244

#### B. Description of Debt

The certificates of participation were issued in November 1993 in the amount of \$8,685,000 to fund the parking structure. The certificates mature through 2013 with interest rates not to exceed 5.625 percent.

The notes payable were issued in 1996 in the amount of \$2,240,000 to fund energy-retrofitting projects throughout the District. The note matures through 2011.

The District has utilized capital leases purchase agreements to purchase primarily equipment. The current lease purchase agreements will be paid through 2005.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

### C. Debt Maturity

Year Ended June 30,	Note Payable		Certificates of Participation		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 139,250	\$ 90,750	\$ 425,000	\$ 338,170	\$ 159,275	\$ 15,753
2004	149,293	80,707	445,000	317,345	97,512	9,644
2005	159,457	70,543	470,000	295,814	49,757	4,921
2006	169,500	60,500	495,000	271,125	14,174	1,402
2007	179,543	50,457	520,000	243,281	-	-
2008-2012	819,207	100,793	3,080,000	742,779	-	-
2013	-	-	725,000	40,781	-	-
Total	<u>\$ 1,616,250</u>	<u>\$ 453,750</u>	<u>\$ 6,160,000</u>	<u>\$ 2,249,295</u>	<u>\$ 320,718</u>	<u>\$ 31,720</u>

### NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in PERS is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in STRS is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis. During the 2001-02 fiscal year, the District provided insurance premium benefits to 46 retired employees with total expenditures of \$367,681.

The approximate accumulated future liability for these benefits is \$1,290,281.

### NOTE 11 - RISK MANAGEMENT

#### A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2002, the District contracted with the Statewide Association of Community Colleges Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2002**

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### **B. Workers' Compensation**

For fiscal year 2002, the District participated in the Schools Alliance for Worker's Compensation Excess II Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$150,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

### ***NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS***

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

#### **A. STRS**

##### **Plan Description**

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2001-2002 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2002, 2001, and 2000, were \$2,581,783, \$2,464,681, and \$2,222,143, respectively, and equal 100 percent of the required contributions for each year.

### **B. PERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2001-2002 was zero percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2002, 2001, and 2000, were \$0, \$0 and \$0, respectively, and equal 100 percent of the required contributions for each year.

### **C. On Behalf Payments**

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$645,445 (1.975 percent) of salaries subject to STRS. A contribution to PERS was not required for the year ended June 30, 2002. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the California Community College's Annual Financial and Budget Report (CCFS-311). These amounts also have not been recorded in these financial statements.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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### ***NOTE 13 - COMMITMENTS AND CONTINGENCIES***

#### **A. Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

#### **B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the entity-wide financial position of the District at June 30, 2002.

### ***NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

The District is a member of the Statewide Association of Community Colleges joint powers authority (JPA). The District pays premiums for its property liability coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The District is also a member of the Schools Alliance for Worker's Compensation Excess II JPA. The District pays premiums for excess workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPA's have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPA's and the District are included in these statements. Audited financial statements are available from the respective entities.

The JPA's had no long-term debt outstanding at June 30, 2002. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

Current year audited financial information was not available.

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***SUPPLEMENTARY INFORMATION***

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Entitlement
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the California State Chancellor's Office			
VATEA I-C	84.048	03579	\$ 595,300
VATEA II, Tech-Prep Education Grant	84.048	03579	71,000
Title V - Strengthening Institutions	84.031S		483,191
TRIO - Student Support Services and Student Grants	84.042A		262,737
TRIO - Upward Bound	84.047A		298,422
TRIO - Upward Bound Math and Science	84.047M		235,115
Adult Basic Education	84.002A	03055	324,806
Child Development Program	[2]		47,161
Student Financial Aid Cluster [1]			
Pell Grant	84.063		10,067,052
Pell Grant Administration Grant	84.063		21,745
Supplemental Educational Opportunity Grant	84.007		423,388
Federal Work-Study Program	84.033		279,066
Perkins Loan Program	[2]		99,938
Fund for Improvement of Post Secondary Education	84.116		2,124
<b>NASA</b>			
Smart Scientists Mentoring	[2]		76,798
Pre-College Science Academy	NAGS-6379		107,108
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Forest Reserve	10.665		45,875
<b>U.S. DEPARTMENT OF LABOR</b>			
Job Training Partnership Act	17.250	03422	13,635
<b>NATIONAL SCIENCE FOUNDATION</b>			
Advanced Technological Programs			
Computer, science, engineering, and math	47.076		65,237
Chemistry and Biology	47.076		29,749
National Science Foundation Cal State	47.076		10,050
National Science Foundation Cal State	47.076		10,251
Academy For Creative Technology	47.076		50,142
Subtotal			<u>13,619,890</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Child Development Program	95.575		10,036
Child Development Program	95.575		25,171
Subtotal			<u>35,207</u>
<b>FEDERAL ASSIGNMENT AGREEMENTS</b>			
Veterans Education	84.065		1,848
			<u>\$13,656,945</u>

[1] Tested as a major program.

[2] Federal Catalog Number not available.

See accompanying note to supplementary information.

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2002

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>GENERAL FUND</b>			
California Articulation Number System (CAN)	\$ 5,000	\$ 2,693	\$ 7,693
Calworks	974,216	-	974,216
Child Development Program - State Preschool (GPRES122)	187,845	-	187,845
Child Development Program - Infants and Toddlers (GPRES167)	357,415	-	357,415
Child Development Program - Supply Grant	2,269	-	2,269
Cooperative Agencies Resources For Education (CARE)	144,371	-	144,371
Disabled Students Program And Services (DSPS)	910,124	3,228	913,352
Economic Development - Applied Biological Technology	178,875	2,379	181,254
Economic Development - Multimedia Entertainment Center	178,875	4,271	183,146
Extended Opportunity Program and Services (EOP&S)	1,472,281	-	1,472,281
Foster Care Education Program	154,441	-	154,441
HR Tech Training	121,635	54,138	175,773
Matriculation - Credit	1,024,671	-	1,024,671
Matriculation - Non Credit	217,133	-	217,133
Matriculation - Administration	442,123	256,927	699,050
MESA	54,331	26,505	80,836
Staff Development - AB1725	101,314	5,193	106,507
Staff Diversity - AB1725	24,307	9,047	33,354
State Work Study Program	60,000	-	60,000
TANF	239,738	-	239,738
Telecommunications and Technology	330,324	-	330,324
Economic Development Workplace Learning Resource Center	178,875	280	179,155
Funds for Student Success	112,481	26,453	138,934
Transfer and Articulation	17,129	-	17,129
Student Financial Aid Administration	140,028	8,544	148,572
Instructional Equipment	295,354	197,663	493,017
Block Grant	-	19,806	19,806
Student Services Think Tank	-	4,249	4,249

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 7,693	\$ -	\$ -	\$ 7,693	\$ 7,693
974,216	-	345,788	628,428	628,428
179,021	8,824	-	187,845	367,272
324,473	32,942	-	357,415	379,339
2,269	-	-	2,269	2,269
144,371	-	2,995	141,376	141,376
913,352	-	-	913,352	913,352
173,255	7,999	-	181,254	182,645
175,149	7,997	-	183,146	183,146
1,479,808	-	113,683	1,366,125	1,367,253
38,610	113,721	-	152,331	152,331
175,773	-	69,528	106,245	106,245
1,024,671	-	91,091	933,580	933,580
217,133	-	86,440	130,693	130,693
442,123	-	162,759	279,364	279,364
46,880	29,829	-	76,709	76,709
106,507	-	44,444	62,063	62,063
33,354	-	11,817	21,537	21,537
20,400	-	10,783	9,617	9,617
239,738	-	-	239,738	239,738
413,852	-	183,179	230,673	230,673
171,158	6,539	-	177,697	177,697
87,003	13,921	-	100,924	100,924
17,129	-	8,736	8,393	8,393
148,572	-	-	148,572	148,572
493,017	-	168,345	324,672	324,672
19,806	-	-	19,806	19,806
4,249	-	-	4,249	4,249
<u>\$ 8,073,582</u>	<u>\$ 221,772</u>	<u>\$ 1,299,588</u>	<u>\$ 6,995,766</u>	<u>\$ 7,199,636</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM-BASED FUNDING FOR THE YEAR ENDED JUNE 30, 2002

CATEGORIES	Reported Data	Audit Adjustments	Revised Data
A. Credit Full-Time Equivalent Student (FTES)			
1. Weekly census	18,136	-	18,136
2. Daily census	397	-	397
3. Actual hours of attendance	2,866	-	2,866
Subtotal	21,399	-	21,399
B. Noncredit FTES			
1. Daily census			-
2. Actual hours of attendance	2,067	-	2,067
Subtotal	2,067	-	2,067
Total FTES	23,466	-	23,466
C. Gross Square Footage			
1. Existing facilities	612,462	-	612,462
Total Gross Square Footage	612,462	-	612,462

See accompanying note to supplementary information.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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	<u>General</u>	<u>Child Development</u>	<u>Debt Service</u>
FUND BALANCE			
Balance, June 30, 2002 (CCFS-311)	\$10,183,361	\$ 20,000	\$ 520
Increase in accounts payable	(448,574)	(6,520)	-
Increase investments	-	-	51,182
Cash held by fiscal agent	-	-	1,120,311
Balance, June 30, 2002	<u>\$ 9,734,787</u>	<u>\$ 13,480</u>	<u>\$ 1,172,013</u>

See accompanying note to supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

JUNE 30, 2002

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### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Warren L. Weber	President	November 2005
Mr. John Martin	Vice President	November 2003
Mr. Geoffrey L. Baum	Member	November 2005
Ms. Consuelo Rey Castro	Member	November 2005
Dr. Jeanette Mann	Member	November 2003
Ms. Susanna H. Miele	Member	November 2003
Ms. Beth Wells-Miller	Member	November 2005
Mr. Andrey Fong	Student Trustee	May 2002

### ADMINISTRATION

Dr. James Kossler	President and District Superintendent
Mr. Peter Hardash	Vice President, Administrative Services
Dr. Jacqueline Jacobs	Vice President, Instruction
Ms. Ernestine Moore	Vice President, Student and Learning Services
Dr. Grover Goyne	Dean, External Relations
Dr. Sandra Lindoerfer	Dean, Human Resources
Dr. Stuart Wilcox	Interim Dean, Planning and Research



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2002

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **A. Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **B. Schedule of Expenditures of State Awards**

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **C. Schedule of Workload Measures for Program-Based Funding**

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

#### **D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the audited financial statements.

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***INDEPENDENT AUDITORS' REPORTS***

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Governing Board  
Pasadena Area Community College District  
Pasadena, California

We have audited the financial statements of Pasadena Area Community College District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Pasadena Area Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pasadena Area Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Governing Board, Management, the California State Chancellor's Office, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
October 4, 2002



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board  
Pasadena Area Community College District  
Pasadena, California

Compliance

We have audited the compliance of Pasadena Area Community College District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2002. Pasadena Area Community College District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Pasadena Area Community College District's management. Our responsibility is to express an opinion on Pasadena Area Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Pasadena Area Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pasadena Area Community College District's compliance with those requirements.

In our opinion, Pasadena Area Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2002.

### Internal Control Over Compliance

The management of Pasadena Area Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Pasadena Area Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Governing Board, Management, the California State Chancellor's Office, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Uauineh, Irine Day & Co. LLP*

Rancho Cucamonga, California  
October 4, 2002





## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Pasadena Area Community College District  
Pasadena, California

We have audited the financial statements of the Pasadena Area Community College District for the year ended June 30, 2002, and have issued our report thereon dated October 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and the State Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles generally accepted in the United States of America used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we performed an audit for compliance as required in Section 400 of the California Chancellor's Office's California Community Colleges Contracted Audit Manual (CDAM), revised July 2002. The objective of the examination of compliance is to determine with reasonable assurance that the District complied with requirements for:

### General Directives

#### MIS Implementation - Required Data Elements

##### Compliance Requirement

Each district shall have the ability to support timely, accurate and complete information for the following workload measures used in the calculation of State General Apportionment:

- Credit Full-Time Equivalent Student (FTES) is weekly census, daily census, actual hour of attendance and apprenticeship courses.
- Noncredit FTES in actual hours of attendance courses.
- Credit Student Headcount Data
- Gross square footage and FTES growth in new facilities.

## **Administrative**

### Salaries of Classroom Instructors (50 Percent Law)

#### Compliance Requirement

Each district's salaries of classroom instructors shall equal or exceed 50 percent of the district's current expense of education in accordance with Section 84362 of the *California Education Code*.

### Gann Limit Calculation

#### Compliance Requirement

Each district shall calculate and adopt an appropriation limit annually in a public meeting. The calculation and adoption shall be verified by certified public accountants as part of the annual audit of financial statements.

### Students Actively Enrolled

#### Compliance Requirement

Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).

### Enrollment Fees

#### Compliance Requirement

Community Colleges are required to report the total amount students should have paid for enrollment fees for the purpose of determining each district's share of apportionment revenue.

### Apportionment for Instructional Service Agreements/Contracts

#### Compliance Requirement

Community colleges may claim FTES for classes given at a contractor's site and use the contractor's employees as instructors for the classes if the following requirements are met:

- Programs must be approved by the State Chancellor's Office and courses must be part of those approved programs, or the District must have received delegated authority to separately approve those courses.
- Courses must be open to the general public.
- Students must be under the immediate supervision of a district employee.
- The District employee must possess valid credentials or meet the minimum qualifications required for the assignment.

## Open Enrollment

### Compliance Requirement

Community colleges shall comply with Title 5 provisions of the CCR related to open enrollment by the general public for all courses being submitted for State apportionment funding.

## **Student Services**

### Uses of Matriculation Funds

#### Compliance Requirement

The District is required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and locally funded portions, must be consistent with the District's State-approved matriculation plan and identifiable as matriculation related activities as authorized by the Seymour-Campbell Matriculation Act of 1986.

## **Special Programs**

### Extended Opportunity Programs and Services - (EOP&S) - Allocation of Costs

#### Compliance Requirement

Salaries of instructors teaching FTES generating classes, school counselors providing academic advisement, Student Services at the Dean level or above and financial aid officers conducting need analysis are not considered supportable charges against EOP&S accounts unless their activities require them to perform additional functions for the EOP&S program that are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S.

### Extended Opportunity Programs and Services (EOP&S) - Administrator/Director Requirements

#### Compliance Requirement

District's accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S administrator/director at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over and above general supervision of EOP&S activities.

## Economic Development Program (EDP)

### Compliance Requirement

In addition to complying with standard grant conditions, community colleges must comply with State laws and regulations concerning:

- Procedures for subcontracts or grant amendments including appropriate authorization by the Chancellor's Office
- Procurement procedures
- Travel authorization
- Hiring procedures
- Appropriate use of fiscal agents

## **Facilities Program**

### Scheduled Maintenance Program

#### Compliance Requirement

Funds provided by the State must be to supplement, not supplant, District deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and District's match for the Scheduled Maintenance Program for the year being audited.

Based on our audit, we found that, for the items tested, the Pasadena Area Community College District complied with the laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Pasadena Area Community College District had not complied with the laws and regulations.

This report is intended solely for the information of the Governing Board, Management, the California State Chancellor's Office, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
October 4, 2002

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2002

### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.007, 84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 409,708</u>
Auditee qualified as low-risk auditee?	<u>No</u>

### STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2002**

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There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.



**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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There were no findings representing instances of noncompliance or questioned costs relating to State program laws and regulations.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

### 2001-1 Finding

Currently, changes in purchase orders are not encumbered automatically by the ESCAPE system within the Purchasing Services. This can result in over spending of budget and grants. Also, accounting for grant money at end of year could be incorrect. Additionally, once a requisition has been approved, changes may be made to the purchase order without an automatic notification to the original approver.

#### Recommendation

The ESCAPE system should be modified to encumber changes in purchase orders and to notify originators of the purchase orders if the purchase orders have changed. Until a system modification can be made, encumbering of changes in purchase orders should be done by the Purchasing Services and forwarded to Fiscal Services.

#### Current Status

Implemented.

### 2001-2 Finding

The District is currently accounting for the fixed asset using the ESCAPE software system. The software was implemented during the 1993-94 fiscal year by bringing in balances from an HP software system. We noted many of the assets carried forward from the old system have not been accounted for with the current physical inventory. Additionally, many of the assets are carried at cost values of less than \$100. The current accounting requirements for the tagging and safeguarding of equipment is that items with a cost of \$1,000 or more are to be tagged and inventoried. The current listing is cumbersome and difficult to reconcile due to the volume of lesser dollar items maintained on the listing.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

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	<u>Recommendation</u>	<u>Current Status</u>
	<p>A detail review of the District equipment should be performed and items not meeting the criteria for equipment should be purged from the inventory listing. This will allow District personnel to more accurately perform the necessary physical inventory reconciliation at year end. Equipment brought forward from the HP software system should be reviewed to ensure it is still maintained by the District. By implementing these changes, the District will be ready for the implementation of GASB Statement 34 and the necessity of capitalizing and depreciating District assets.</p>	Implemented.
2001-3	<p><u>Finding</u></p> <p>The Trust and Agency Fund currently accounts for approximately 15 small scholarships in separate ledger accounts making it cumbersome to account for any interest earned, or other activity, during the year. We were unable to determine if there is a procedure on the amount of funds necessary to maintain separate accounting of the activity and interest.</p>	
	<p><u>Recommendation</u></p> <p>A procedure detailing the requirements to maintain an individually named trust account should be prepared and provided to any group, individual, or department wanting to establish a trust account. Balances that fall below a preset minimum level should be rolled into a general scholarship account and accounted for in total.</p>	Improved.
2001-4	<p><u>Finding</u></p> <p>As noted in prior year audit, inventory control at the College Bookstore is currently monitored at year end with a physical count of actual inventory on hand. With total year end inventory of approximately \$1.2 million, an effective inventory control system is essential. There is no perpetual inventory system currently in use to provide analysis of what the inventory level should be based upon purchases and sales during the year. The Cost of Goods Sold is not properly stated during the year for analytical purposes. Without a perpetual inventory system, the bookstore manager is not able to truly determine any possible losses due to theft, whether or not the mark-ups are proper, or the true gross profit of the bookstore operations at any point during the year.</p>	

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2002**

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Recommendation

We recommend that the perpetual inventory systems be implemented as soon as possible so that it will track the true cost of the books and supplies and it will allow the manager to properly track and analyze the inventory. Spot checks of the inventory on hand should be performed on a monthly basis.

Current Status

In process.

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*ADDITIONAL SUPPLEMENTARY INFORMATION*

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## BALANCE SHEET – ALL FUNDS JUNE 30, 2002

	General Fund	Child Development	Capital Projects
<b>ASSETS</b>			
Cash	\$ 1,356,435	\$ 26,191	\$ 99,818
Investments	15,739,307	43,611	3,926,477
Accounts receivable	5,772,125	39,133	557,856
Stores inventory	167,156	-	-
Prepaid expenditures	173,378	-	-
Fixed assets	-	-	-
Total Assets	<u>\$ 23,208,401</u>	<u>\$ 108,935</u>	<u>\$ 4,584,151</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	7,879,136	95,455	388,828
Deferred revenue	5,594,478	-	206,100
Due to student groups	-	-	-
Total Liabilities	<u>13,473,614</u>	<u>95,455</u>	<u>594,928</u>
<b>FUND EQUITY</b>			
Retained Earnings	-	-	-
Fund balances			
Reserved	3,319,880	-	-
Unreserved			
Designated	6,414,907	13,480	3,989,223
Total Fund Equity	<u>9,734,787</u>	<u>13,480</u>	<u>3,989,223</u>
Total Liabilities and Fund Equity	<u>\$ 23,208,401</u>	<u>\$ 108,935</u>	<u>\$ 4,584,151</u>

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Debt Service	Internal Service	Bookstore	Trust and Agency	Total (Memorandum Only)
\$ -	\$ 79,738	\$1,158,079	\$ 1,175,638	\$ 3,895,899
1,172,013	10,515,704	267,201	7,925,994	39,590,307
-	-	80,259	801,602	7,250,975
-	-	1,065,465	-	1,232,621
-	6,518	42,341	-	222,237
-	-	289,455	35,693	325,148
<u>\$1,172,013</u>	<u>\$10,601,960</u>	<u>\$2,902,800</u>	<u>\$ 9,938,927</u>	<u>\$ 52,517,187</u>
-	1,315,159	64,447	560,794	10,303,819
-	-	-	31,554	5,832,132
-	-	-	302,814	302,814
<u>-</u>	<u>1,315,159</u>	<u>64,447</u>	<u>895,162</u>	<u>16,438,765</u>
-	9,286,801	2,838,353	-	12,125,154
-	-	-	9,043,765	12,363,645
<u>1,172,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,589,623</u>
<u>1,172,013</u>	<u>9,286,801</u>	<u>2,838,353</u>	<u>9,043,765</u>	<u>36,078,422</u>
<u>\$1,172,013</u>	<u>\$10,601,960</u>	<u>\$2,902,800</u>	<u>\$ 9,938,927</u>	<u>\$ 52,517,187</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ALL FUNDS FOR THE YEAR ENDED JUNE 30, 2002

	General Fund	Child Development	Capital Projects
<b>REVENUES</b>			
Federal revenues	\$ 3,003,152	\$ 78,875	\$ -
State revenues	57,501,621	486,012	1,472,423
Local revenues	43,619,107	217,037	412,986
Total Revenues	104,123,880	781,924	1,885,409
<b>EXPENDITURES</b>			
Current Expenditures			
Academic salaries	44,395,736	-	-
Classified salaries	23,879,556	599,440	-
Employee benefits	12,640,403	122,098	-
Books and supplies	3,556,087	55,052	-
Services and operating expenditures	10,770,718	121,168	323,130
Capital outlay	3,935,412	7,989	1,982,062
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Total Expenditures	99,177,912	905,747	2,305,192
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	4,945,968	(123,823)	(419,783)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	717,465	114,000	2,000,000
Operating transfers out	(3,825,419)	-	-
Other sources			
Other uses	(701,151)	-	-
Total Other Financing Sources/(Uses)	(3,809,105)	114,000	2,000,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	1,136,863	(9,823)	1,580,217
EQUITY, BEGINNING OF YEAR	8,597,924	23,303	2,409,006
EQUITY, END OF YEAR	\$ 9,734,787	\$ 13,480	\$3,989,223



Debt Service	Internal Service	Bookstore	Trust and Agency	Total (Memorandum Only)
\$ -	\$ -	\$ -	\$ 10,482,699	\$ 13,564,726
-	-	-	1,551,035	61,011,091
51,609	3,060,591	6,758,451	2,171,226	56,291,007
<u>51,609</u>	<u>3,060,591</u>	<u>6,758,451</u>	<u>14,204,960</u>	<u>130,866,824</u>
-	-	-	-	44,395,736
-	-	625,787	214,040	25,318,823
-	-	154,253	27,479	12,944,233
-	56,484	4,927,138	592,622	9,187,383
-	2,834,350	376,401	2,105,239	16,531,006
-	-	-	78,355	6,003,818
635,000	-	-	-	635,000
362,529	-	-	-	362,529
<u>997,529</u>	<u>2,890,834</u>	<u>6,083,579</u>	<u>3,017,735</u>	<u>115,378,528</u>
<u>(945,920)</u>	<u>169,757</u>	<u>674,872</u>	<u>11,187,225</u>	<u>15,488,296</u>
993,954	-	-	295,000	4,120,419
-	-	(386,000)	-	(4,211,419)
-	-	-	1,155,024	1,155,024
-	-	-	(12,033,734)	(12,734,885)
<u>993,954</u>	<u>-</u>	<u>(386,000)</u>	<u>(10,583,710)</u>	<u>(11,670,861)</u>
48,034	169,757	288,872	603,515	3,817,435
1,123,979	9,117,044	2,549,481	8,440,250	32,260,987
<u>\$1,172,013</u>	<u>\$9,286,801</u>	<u>\$2,838,353</u>	<u>\$ 9,043,765</u>	<u>\$ 36,078,422</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## BALANCE SHEET RECONCILIATION JUNE 30, 2002

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Total Fund Balance - All District Funds		\$ 36,078,422
Assets recorded within the GASB 35 Statement of Net Assets not included in the District fund financial statements		
Capitalized assets	\$ 192,470,626	
Accumulated depreciation	<u>(60,499,065)</u>	131,971,561
Liabilities recorded within the GASB 35 Statement of Net Assets not recorded in the District Fund financial statements		
Agency fund balances		(7,878,438)
Long-term liabilities		
Certificates of participation	(6,160,000)	
Note payable	(1,616,250)	
Compensated absence	(2,418,484)	
Capital leases	<u>(320,718)</u>	<u>(10,515,452)</u>
Net Assets reported within the GASB 35 Statement of Net Assets		<u><u>\$ 149,656,093</u></u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS RECONCILIATION  
FOR THE YEAR ENDED JUNE 30, 2002**

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Total Net Change in Fund Balance - All District Funds	\$ 3,817,435
Agency revenues and expenses not reported within the GASB 35 Statements	(765,548)
Depreciation expense reported within the GASB 35 Statements	(7,218,251)
Capital outlay expense not reported within the GASB 35 Statements	7,822,650
Principal payments on debt not reported within the GASB 35 Statements	635,000
Compensated absence expense reported within the GASB 35 Statements	<u>(283,319)</u>
Net Increase in Net Assets Reported Within GASB 35 Financial Statements	<u><u>\$ 4,007,967</u></u>

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